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NSC FOR NEA STAFF

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CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
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COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
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ROME FOR MFO

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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

Israel Radio reported that on Tuesday the State Department denied that the decision to postpone Secretary of State Condoleezza Rice's visit was a sign that the US administration is distancing itself

from Olmert due to his government's turmoil. Ha'aretz quoted State Department Spokesman Sean McCormack as saying: "We work very closely with Prime Minister Olmert ... We are working very closely with him and his government as we speak on ... Israeli-Palestinian issues and how to move that process forward." Israel Radio reported that on Monday FM Tzipi Livni talked with Secretary Rice. The radio quoted sources in Livni's bureau as saying that Rice's decision to cancel her visit had nothing to do with the phone call with Livni. Israel Radio quoted senior sources in Olmert's bureau as saying that they know nothing about such a call. Maariv (Uri Yablonka) reported that a source in Olmert's bureau claimed that the possibility that Rice's visit might be postponed was already apparent three weeks ago, so there is no connection between the postponement of the visit and the crisis following the conclusions of the Winograd report. Maariv quoted other Israeli sources as saying that the reason for the cancellation is still unclear. However, Maariv reported that a "more problematic" image of impasse emerged from meetings between US and Israeli officials regarding the possible fall of Israel's current government and Israel's inability to conduct a long-range policy on the Palestinian track. Maariv reported that senior officials in Washington told senior Israeli officials that so long as there is uncertainty due to the instability of the government, the peace process will remain deadlocked and there may even be repercussions affecting other issues between the two countries. Maariv has learned that the American warnings left a grave impression on the Israeli side, the lack of confidence in Washington in the stability of the Israeli government may undermine cooperation with the US until further notice. Maariv wrote that, in conversations with Israelis, the Americans did not specify the issues on which relations between the two countries would be damaged, but one of the statements made was that the complex track with the Palestinians will not tolerate governmental instability on the Israeli side too. According to Maariv, the Americans also expressed doubt about the possibility of dialogue with a government that will soon be changing hands. Maariv quoted a senior Israeli political source as saying: "The US is Israel's senior strategic partner. We are as dependent on it as on the air we breathe." The source went on to say: "The US is our insurance policy in the Security Council, and is restraining the European tendency towards expanding cooperation with the Hamas-Fatah government in the PA." The source warned that "our impasse on the Palestinian issue must not be allowed to become official policy." The Jerusalem Post reported that the State Department is downplaying the significance of Rice's canceled trip. The Jerusalem Post quoted former US ambassador to Israel as saying that Rice's decision to skip the trip was "curious," adding that the State Department would not point to another country's internal politics as the reason to avoid a trip, even if that were the cause.

All media reported that on Tuesday former PM Ehud Barak publicly called on PM Ehud Olmert to resign, but quoted him as saying that should Olmert refuse to either resign or call new elections, he would be prepared to sit in a possible transitional Olmert government. Politicians and commentators criticized Barak's zigzagging. Ha'aretz quoted senior officials of the Kadima party as saying, in response to Barak's statement by Ehud Barak urging Olmert to resign, that Kadima must begin preparing to choose a replacement for Olmert.

Leading media reported that today the Winograd Commission will release the testimonies of Olmert, Defense Minister Amir Peretz, and former IDF chief of staff Dan Halutz. Israel Radio reported that this morning the diplomatic-security cabinet is discussing the classified portions of the report. Maariv cited the concern of Olmert associates that the publication of an expunged report might cite Olmert's testimony out of its context.

Ha'aretz and Israel Radio quoted the World Bank as saying in a new report that Israel harms Palestinian freedom of movement and access to parts of the West Bank, damaging any chances for the Palestinian economy to emerge from crisis. The bank's particularly critical report also says the limitations imposed on Palestinians' movement prevents their access to about 50 percent of the West Bank, and prevents any likelihood that the Palestinian economy can grow. The radio quoted the World Bank as saying that Israel has split the West Bank into ten cantons without any economic connections between them. Israel Radio also quoted the World Bank as saying that the international blockade of the PA has worsened the Palestinians'

economic condition.

Israel Radio reported that the five permanent UN Security Council members and Germany will meet today to discuss imposing tougher UN sanctions against Iran unless it halts uranium enrichment work the West suspects is part of a secret program to build nuclear weapons.

Major media reported that, wary of the security implications of Palestinians traveling between the Gaza Strip and the West Bank, the Israeli defense establishment expressed its opposition to this part of the US "benchmarks plan" for Israel and the PA. Ha'aretz quoted defense officials as saying in internal meetings this week that allowing freedom of movement between the two territories may create a dangerous security situation, enabling the transfer of technological know-how for the making of Qassam rockets from the Gaza Strip to the West Bank. Makor Rishon-Hatzofe reported that Israeli defense officials clarified this to US officials. Ha'aretz said that the US argues that Israel has already committed to allowing the transit of convoys between the West Bank and the Gaza Strip as part of the November 2005 Agreement on Movement and Access.

Ha'aretz reported that Israeli defense officials responded as follows: "The security situation in the Gaza Strip has deteriorated significantly since the Movement agreement, and the Qassam rocket attacks continue and in some cases have intensified. This fact should not be ignored." However, The Jerusalem Post quoted Israeli diplomatic officials as saying that although the security prism is an important prism through which to view the plan, it is not the only one. The Jerusalem Post quoted the officials as saying the roadblocks and checkpoints extract a high diplomatic price for Israel around the world. The Jerusalem Post quoted one official as saying: "The Western world, with the exception of the US, sees the roadblocks and checkpoints as a main problem here. It is considered collective punishment that bothers everyone, but only weeds out a few terrorists." The Jerusalem Post quoted US diplomatic officials as saying on Tuesday that the paper is not a "take it or leave it" document. The Jerusalem Post quoted the spokesman of the US Embassy in Tel Aviv as saying that the benchmarks were "not a fixed deadline, but a flexible set of targets to help facilitate discussions."

The Jerusalem Post reported that on Tuesday veteran pollster Stanley Greenberg told the Knesset's Subcommittee on Foreign and Public Relations that America's support for Israel is greater than ever.

Israel Radio reported that PA Chairman [President] Mahmoud Abbas and his senior aide Saeb Erekat are demanding that the Palestinian factions respect the calm in the Gaza Strip. The radio reported that Erekat asked the factions to extend the truce to the West Bank.

Yediot quoted Israeli experts as saying that the latest Qassam rockets launched at Israel are more accurate and lethal than the previous ones.

Over the past few days, leading media cited data published by the Jerusalem Institute for Israel Studies, according to which in 2020 Jews will constitute 60 percent of Jerusalem's population -- and Arabs around 40 percent,

Maariv reported that, in a telephone conversation he held with opposition leader Binyamin Netanyahu on Tuesday, French president-elect Nicolas Sarkozy pledged not to allow Iran to develop nuclear weapons. Maariv also quoted Arab newspapers as saying that it was the Jews who had crowned Sarkozy as France's next president. The Jerusalem Post reported that Arno Klarsfeld, the son of renowned Nazi-hunters Serge and Beate Klarsfeld, is rumored to be the top candidate to become minister of immigration and national identity when Sarkozy chooses his cabinet in the coming weeks. Klarsfeld acquired Israeli citizenship in 2002 and joined the Border Police. He served at checkpoints around Bethlehem.

Leading media reported that on Tuesday, Hamas's military wing threatened to kill abducted IDF soldier Gilad Shalit if Israel carries out a large-scale military operation in the Gaza Strip. Media cited Hamas's denial of the report.

Maariv reported that, in an independent move on Tuesday, FM Livni met with Fausto Bertinotti, Speaker of Italy's Lower House of Parliament, who had met with Hamas representatives. The newspaper

wrote that Olmert did not meet the foreign official

Ha'aretz found that, despite occasional friction between Palestinians and Jewish settlers, Hebron is the West Bank's most secure city.

Ha'aretz cited the belief of sources in the Finance Ministry that Israel has a very good chance of being voted into the Organization for Economic Cooperation and Development (OECD). The finance ministers of the 30 OECD countries are due to meet on Tuesday and Wednesday next week in Paris and are expected to decide in favor of Israel's joining the organization. The list of candidates seeking to join the OECD includes Chile, Brazil, Russia, China, India, South Africa, Cyprus, and European countries that have recently joined the EU. The organization last expanded its membership in 1995. Ha'aretz wrote that Israeli Treasury sources describe the move as a very important achievement for Israel, both economically and diplomatically.

Maariv reported that last week, citing case of violence by Palestinians, the IDF decided to ban bathing by Palestinians in the Dead Sea. Those were the only beaches where the Palestinians had been allowed to bathe.

The Jerusalem Post reported Israel Broadcasting Authority -- which includes Israel TV and Israel Radio -- is seriously considering closing its Washington bureau. The move has been spurred by an urgent need to cut down on costs.

Yediot reported that Israel will donate 20 million shekels (around USD 5 million) to aid organizations helping Darfur refugees.

Leading media cited the Transportation Ministry as saying on Tuesday that Israeli airlines El Al and Arkia will receive special financial aid from the government to continue operating regular flights to Egypt and Jordan. El Al had threatened to discontinue flights to those neighboring countries because they were unprofitable. Ha'aretz quoted Transportation Minister Shaul Mofaz as saying on Tuesday: "The existence of regular flights to and from Egypt and Jordan is of primary importance in the political sense.... Any change or discontinuation could be construed as a violation of these agreements, with all the far-reaching political repercussions derived from that."

Yediot presented the results of a Mina Zemach (Dahaf Institute) poll conducted among registered Labor Party voters:
-"Should Labor quit the government?" No: 55 percent; yes: 32 percent; 13 percent were undecided.
-"Who will you vote for [in the first round of] the Labor leadership contest?" Ehud Barak: 32 percent; Ami Ayalon: 29 percent; Amir Peretz: 18 percent; Ophir Pines-Paz: 11 percent. Danny Yatom: 3 percent; 7 percent were undecided.
-"Who will you vote for in the second round [of a Labor leadership contest]: Ami Ayalon: 45 percent; Ehud Barak: 41 percent; 14 percent were undecided.

Makor Rishon-Hatzofe reported on the results of a poll commissioned by a branch of the Katzenelson Institute and carried out by the polling institute Market Watch, to mark 40 years of Jerusalem's reunification: 62 percent of Israeli are unwilling to renounce Israel sovereignty on Jerusalem, but 78 percent of the public are not prepared to move to the city.

Mideast:

Summary:

The independent, left-leaning Ha'aretz editorialized: "US Secretary of State Condoleezza Rice, who canceled her planned visit to Israel, realized something that has not been understood by ministers in [the Israeli] government."

The conservative, independent Jerusalem Post editorialized: "As [Foreign Minister Tzipi Livni] rightfully noted, the government isn't so much as discussing IDF pressure for action against the

rocket launchers, no plans are being reviewed, and no scenarios examined."

Contributor Prof. Gerald Steinberg, who heads the Program on Conflict Management at Bar-Ilan University and is the Executive Director of NGO Monitor, wrote in The Jerusalem Post: "When Europe begins to heal itself by rejecting the dominant myths and dealing realistically with its own problems, relations with Israel will also improve, to the benefit of both countries [sic]."

Block Quotes:

I. "Contempt For the Public"

The independent, left-leaning Ha'aretz editorialized (5/9): "US Secretary of State Condoleezza Rice, who canceled her planned visit

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to Israel, realized something that has not been understood by ministers in a government desperately searching for a defense minister to rescue it, a government in which the Foreign Minister is demanding the resignation of the Prime Minister, and in which the Finance Minister has been suspended from duty on suspicion of stealing from the public purse. Even if the Winograd report were to state that some of the military operations were pointless, aimed only at creating the impression of victory where victory was nowhere to be found, Ehud Olmert would not resign. Never before has Israel's future so heavily depended on the veteran Labor Party, its institutions and its members. It is no coincidence that Labor Chair Amir Peretz was forced to draw conclusions about the war while Olmert held his position. The internal struggle within Labor reflects the clash between national responsibility and the hedonism of power."

II. "Waiting For Disaster"

The conservative, independent Jerusalem Post editorialized (5/9): "It takes no uncommon acumen to realize that it's only a matter of time before something dreadful happens in Sderot or elsewhere within the range of Gaza's Qassam rockets.... Nevertheless, away from the western Negev, there is barely any reaction. Qassam barrages are reported as if they were routine, negligible phenomena. It is eerily reminiscent of the equanimity with which accounts of massive Hizbullah rearmament were greeted after the hasty pullout from Lebanon in 2000 and until the outbreak of last summer's war. This is precisely what Foreign Minister Tzipi Livni complained about soon after [Monday's] kindergarten near-hit. As she rightfully noted, the government isn't so much as discussing IDF pressure for action against the rocket launchers, no plans are being reviewed, and no scenarios examined. For all intents and purposes, it's business as usual, even down to the habitual warning by Defense Minister Amir Peretz (a Sderot resident) that 'Israel's restraint isn't unlimited.' If a sudden -- though hardly unexpected -- catastrophe occurs, the concern is that the ministers would be as clueless as on July 12 and as ill-equipped to make intelligent choices.... Livni and Olmert may now be busy goading each other, but her criticism must not be dismissed."

III. "Where Europe Fails"

Contributor Prof. Gerald Steinberg, who heads the Program on Conflict Management at Bar-Ilan University and is the Executive Director of NGO Monitor, wrote in The Jerusalem Post (5/9): "While Israel is outside the formal European political framework, the influence of events and policies made in Paris, Brussels, London, Stockholm and elsewhere is strongly felt. Avoiding their own problems, Europeans preach the merits of multiculturalism and soft power, and warn of the perils from 'nationalist Zionism,' while denigrating Israeli democracy and shared cultural foundations. As a result, the level of mutual distrust and lack of confidence between Israel and Europe is greater than ever. Similarly, in their enthusiasm for civil society, European governments also provide the funding for Israeli NGOs that claim to promote peace, democracy and human rights, but often justify the demonization of Israel. In this way, Europe sponsors the rhetoric of multiculturalism that is used by [the Israeli-Arab civilrights groups] Adallah and Mossawa to

campaign for the dissolution of Israel. Although Israel is not free of blame for the tension in the relationship, European responses have gone far beyond constructive criticism, and the intense political correctness has blocked an honest dialogue. When Europe begins to heal itself by rejecting the dominant myths and dealing realistically with its own problems, relations with Israel will also improve, to the benefit of both countries [sic]. "

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